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ECKERT SEAMANS CHERIN & MELLOTT, LLC
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November 6, 2003

2003 NOV -7 A 10: 07

VIA TELECOPY - 602-542-2129
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DOCUMENT CONTROL1515 Market Street
Ninth Floor
Philadelphia, PA 19102
Telephone: 215.851.8400
Facsimile: 215.851.8383
www.escm.comMr. Adam Lebrecht
Executive Consultant I
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007Re: Citynet Arizona, LLC (the "Citynet")
Docket No. T-04201-03-0552

Boston

Haddonfield, NJ

Harrisburg

Morgantown, WV

Philadelphia

Pittsburgh

Washington, D.C.

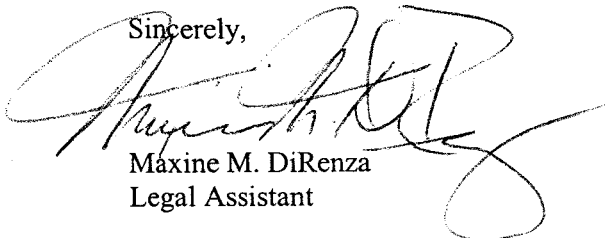
Dear Adam:

This letter follows our recent conversations and is supplemental to my letters to you of September 16 and October 23, 2003.

I have enclosed fourteen (14) copies of the Balance Sheet and Profit and Loss Statement of Citynet Holding, LLC, the Parent Company of Citynet, the applicant, for the period beginning January 1, 2003 and ending September 30, 2003. As I advised you in our telephone conversations, the Parent company, as well as Citynet have not been in business long enough to provide financial statements for the most recent two years as required under Item (B-2) of the application. It is my understanding that the Commission will accept the financial information for the period the Parent Company has been in existence. The Parent Company was formed in Delaware on December 2, 2002.

If you have any questions or require any additional information, please do not hesitate to call Steven P. Hershey, Esquire of our firm (215) 851-8421 or me. Thank you for your assistance and courtesy.

Sincerely,



Maxine M. DiRenza
Legal Assistant

MMD/

cc: Docket Control
Arizona Corporation Commission
129 W. Washington street
Phoenix, AZ 85007-2927

Steven P. Hershey, Esquire

Arizona Corporation Commission

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NOV 07 2003

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ECKERT SEAMANS
ATTORNEYS AT LAW

Maxine M. DiRenza
215-851-8432
mmd@escm.com
M0433098

CITYNET HOLDING, LLC
BALANCE SHEET
ACCRUAL BASIS
JANUARY 1 THROUGH SEPTEMBER 1, 2003

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T-04201A-03-0552

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ASSETS

Current Assets

Checking/Savings

Bank One - Citynet Holding

\$ 53,331.27

Petty Cash

\$ 500.00

Total Checking/Savings

\$ 53,831.27

Accounts Receivable

Accounts Receivable

\$ 77,958.73

Total Accounts Receivable

\$ 77,958.73

Other Current Assets

A/R - Citynet Columbus

\$ 886,592.97

Total Other Current Assets

\$ 886,592.97

Total Current Assets

\$ 1,018,382.97

Fixed Assets

Adelphia

\$ 14,003,061.14

Equipment - IL

\$ 64,609.50

Equipment - IN

\$ 11,318.00

Equipment - OH

\$ 11,883.00

L/H Improvement - OHIO

\$ 5,830.11

Nortel Optical Equipment

\$ 460,000.00

Right To Use License - FNC

\$ 320,000.00

Switch Equip/Installation-AZ

\$ 85,846.00

Total Fixed Assets

\$ 14,962,547.75

Other Assets

Nationwide Realty Columbus Dep

\$ 25,000.00

Ohio Interconn. Sprint- Deposit

\$ 10,000.00

Rent/ILLINOIS - Deposit

\$ 94,005.50

Total Other Assets

\$ 129,005.50

TOTAL ASSETS

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

\$ 413,594.37

Accounts Payable

\$ 413,594.37

Total Accounts Payable

Arizona Corporation Commission

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CITYNET HOLDING, LLC
BALANCE SHEET
ACCRUAL BASIS
JANUARY 1 THROUGH SEPTEMBER 1, 2003

Other Current Liabilities

A/P - Citynet	\$	4,378,833.30
A/P - Lorenze	\$	25,682.22
A/P - Lorenze & Puskar	\$	2,050,104.05
A/P - Platinum Properties	\$	9,042,559.50
A/P - Puskar	\$	1,023,606.01
Accrued Payroll Taxes	\$	4,629.76
Accrued Salaries	\$	58,221.28
Accrued Workers Comp	\$	1,362.67
Total Other Current Liabilities	\$	<u>16,584,998.79</u>

Total Current Liabilities

Long Term Liabilities

Deferred Rent - Austin TX	\$	8,440.68
Deferred Rent - Chicago IL	\$	19,685.55
Deferred Rent - Cincinnati OH	\$	14,106.36
Deferred Rent - Phoenix AZ	\$	44,510.05
N/P - Centra Bank	\$	2,000,000.00
N/P - Progressive Bank	\$	454,272.03
Total Long Term Liabilities	\$	<u>2,541,014.67</u>

Total Liabilities	\$	19,539,607.83
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Equity

Net Income	\$	(3,429,671.61)
Total Equity	\$	<u>(3,429,671.61)</u>

TOTAL LIABILITIES & EQUITY	\$	16,109,936.22
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CITYNET HOLDING, LLC
PROFIT LOSS
ACCURAL BASIS
JANUARY 1 THROUGH SEPTEMBER 1, 2003

Ordinary Income/Expense
Income

Management Fee Revenue	\$	10,000.00
Reimbursed Expenses	\$	50,000.00
Services	\$	109,633.00
Total Income	\$	169,633.00

Expense

Bank Service Charges	\$	98.00
Cleaning	\$	430.00
Dues/Memberships	\$	381.15
Equipment Expense	\$	37,934.56
Ethernet	\$	40,465.77

Insurance:

Dental Insurance	\$	2,014.50
Health Insurance	\$	106,290.67
Liability Insurance	\$	55,956.54
Life Insurance	\$	3,440.00
Workers Comp	\$	3,708.57
Total Insurance	\$	171,410.28
Interest Expense	\$	370,997.36
Licenses/Permits/Fees	\$	35,319.62
Local Number Portability Charge	\$	1,116.13
Management Fee Expense	\$	152,430.00
Miscellaneous	\$	34,238.39
Office Supplies	\$	1,408.67
Payroll Expenses		
Contracted Service	\$	64,475.95
FUTA	\$	1,210.00
Medicare	\$	11,585.84
Payroll Taxes	\$	4,629.76
Processing Fee	\$	2,397.95
Salaries and Wages	\$	915,617.12
Social Security	\$	48,642.91
SUTA	\$	4,940.99
Training	\$	1,720.00
Total Payroll Expenses	\$	1,055,220.52
Postage and Delivery	\$	3,388.20
Professional Development	\$	65.00
Professional Fees		
Accounting	\$	38,375.55
Consulting	\$	1,600.00
Contracting Services	\$	4,698.33
Legal Fees	\$	203,443.46
Locating Services	\$	67,500.47
Reporting Services	\$	1,712.42
Total Professional Fees	\$	317,330.23

CITYNET HOLDING, LLC
PROFIT LOSS
ACCURAL BASIS
JANUARY 1 THROUGH SEPTEMBER 1, 2003

Other Income/Expense

Other Income

Interest Income

Total Other Income

\$ 14,009.07

\$ 14,009.07

Net Other Income

\$ 14,009.07

Net Income

\$ (3,429,671.61)